Oxfordshire County Council Pension Fund Stewardship Code Report 2026

May 2026

Introduction

The Oxfordshire County Council Pension Fund (the Fund) is pleased to present this report detailing how the Fund meets the 11 Principles under the FRC's 2026 UK Stewardship Code. As an asset owner and pension fund the Fund has a responsibility to its members and beneficiaries. We believe that stewardship is integral to the achievement of the Fund's objectives in seeking to deliver long-term investment performance and is identified as a key objective in the Fund's business plan.

We support and apply the Code's definition of stewardship: "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for beneficiaries." As a universal investor the Fund will follow the Code's guidance to "take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which their beneficiaries' interests depend". We believe that the application of this approach will lead to sustainable benefits for the economy, the environment and society, including our members and beneficiaries. This report will show how we put this into action.

The last year has been challenging for the Fund, with the implementation of the government's Fit for the Future reforms resulting in the invitation from Government that the Fund should seek a new asset pool partner. The Brunel Pension Partnership consequently would be required to be closed down and a new asset pool partner be found. After a comprehensive process LGPS Central was selected as the Fund's new partner of choice and this was confirmed towards the end of 2025. The transfer to LGPS Central has taken place in April 2026. This report will cover stewardship activity for 2025, during which time the Fund was still a member of the Brunel pool, so this report will be based upon the activity carried out on the Fund's behalf by Brunel.

Stewardship continues to see an ever-changing landscape. Whilst many of the headlines have been taken up by the political pushback against ESG in the US it is worth noting that the years 2023–2025 rank as the warmest three-year period in observational records. Global average surface temperatures were nearly 1.5°C above the pre-industrial baseline, putting the symbolic 1.5°C threshold in long-term jeopardy and highlighting the reality of our changing climate.

We continue to believe that the fundamental proposition that integrating consideration of sustainability-related risks and opportunities into the investment process helps to deliver long term risk adjusted returns, allowing the Fund to meet its obligations to pay pensions to members. The Fund is proud of the progress that we made whilst in the Brunel pool to integrate responsible investment and stewardship into the Fund's investment approach. The Fund continues to make progress, and we look forward to working with our new pooling partner LGPS Central to explore ways to further strengthen our approach and expand our stewardship activities, both as a Fund and in collaboration with others.

Mark Smith, Head of Pension Fund

Policy and Context section

Principle 1:1 Organisation, investment beliefs and stewardship approach

The Oxfordshire County Council Pension Fund (the Fund) is one of 89 funds in England and Wales set up under the Local Government Pension Scheme (LGPS); a statutory, funded, multi-employer defined benefit scheme.

The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended]. The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 15 to 18 of the 2024/25 Annual Report.

The Fund is administered by Oxfordshire County Council (the Council) who are legally responsible for the Fund. The Council delegates its responsibility for administering the Fund to the Oxfordshire Pension Fund Committee (the Committee), which is its formal decision-making body.

The ultimate purpose of the Fund is to meet all pension liabilities as they fall due. The Fund has a Funding Strategy Statement that sets out the requirements around this objective, including a need to maintain long-term solvency, develop an investment strategy consistent with the funding strategy, and where appropriate, ensure stable employer contribution rates.

The Fund's Investment Strategy Statement has been developed to deliver on the funding strategy statement objectives.

Although climate change is the greatest single risk to the long-term performance of the Fund there are also other major sustainability risks and opportunities that the Fund is faced with. The Fund's RI policy identifies the main priorities and associated objectives related to these risks and opportunities.

The Fund's Responsible Investment Policy includes the following set of beliefs related to integrating stewardship and responsible investment into the investment process:

- *The long-term nature of the Fund's liabilities is a key consideration and typically implies a long-term investment horizon. As a long-term asset owner, we have a duty to interact with companies about their governance structures, policies, and operations.*

- *The Fund must seek to ensure that the actions of those appointed to work on the Fund's behalf align with the long-term interests and policies of the Fund.*

- *Investing responsibly and investment performance are not mutually exclusive. We believe that investments will generate improved returns in the long run where there is consideration of ESG factors at a strategic level by investee companies. We believe in investing in well governed companies. In making* *investments we will seek to minimise negative impacts on society and the environment and, where possible, to make a positive contribution.*

- *The Fund believes that using active stewardship to encourage the highest standards of corporate governance and promoting corporate responsibility by investee companies helps protect the financial interests of pension fund members over the long term.*

- *Engagement can be effective in initiating change but must be backed up with a robust escalation policy, up to and including divestment. In determining the approach to engagement, the nature of the industry and ability to change should be considered.*

- *Aligning with like-minded investors and organisations is often more effective than working in isolation.*

The Fund has identified climate change as the single most important factor that could materially impact its long-term investment performance given its systemic nature and the effects it could have on global financial markets. The Fund has produced a Climate Change Policy that forms part of the Investment Strategy Statement.

From an investment perspective the Fund believes that climate change should be an integral part of the assessment of risks as well as a factor in identifying investment opportunities arising from the transition to a low carbon economy.

Stemming from this belief the Fund is seeking to expand its allocation of capital into investments that will help deliver the energy transition to a net zero economy by 2050. Since 2024 Brunel has provided each of its client funds with a Carbon Metrics report providing climate change related data such as portfolio level absolute emissions and carbon intensity. The report also includes data on exposure to green revenues. This green revenues data will allow the tracking of how much capital is being allocated to those sub-sectors which will help deliver the energy transition.

The Fund requires its Investment Managers to monitor and assess those environmental, social and governance considerations which may impact on financial performance when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Fund believes that the operation of such a policy will ensure the sustainability of a company's earnings and the creation of value and hence its merits as an investment.

The Committee's principal concern is to invest in the best financial interests of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. These relate to the ESG performance of the investments, as well as the financial performance.

Choosing the investment option that delivers positive impact

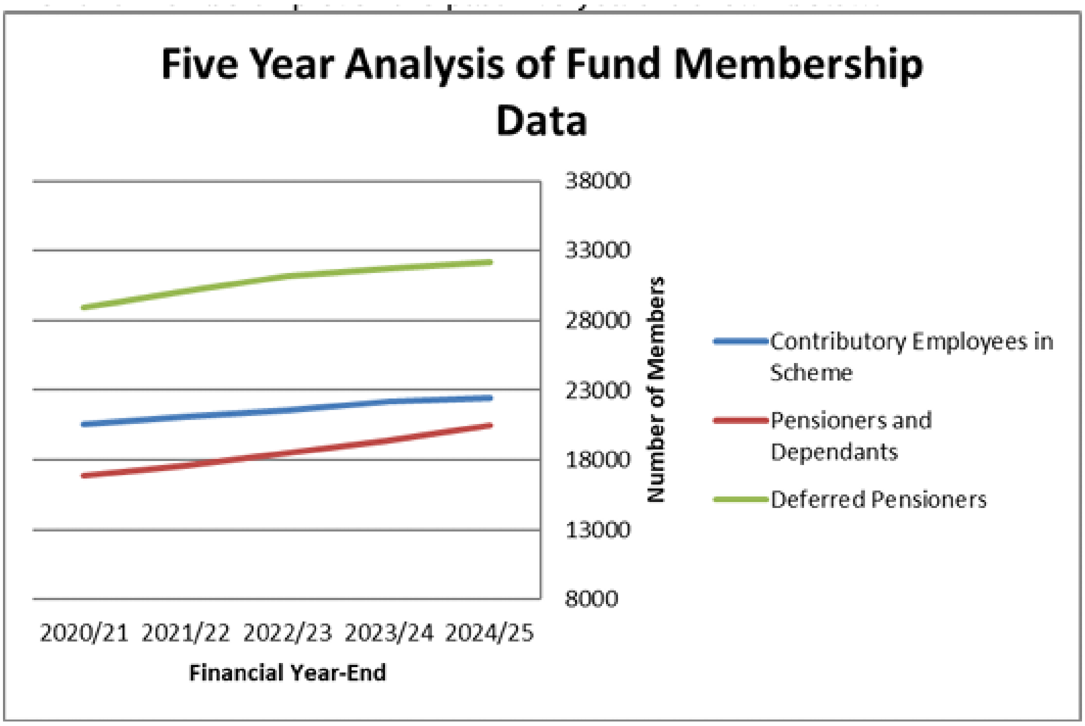
The Fund's Climate Change Policy has a specific commitment that where there are two investment options that broadly aim to deliver the same investment objective the Pension Fund will prioritise the option that delivers the best fit to its climate change commitments.

Benefits
The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit' scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI.

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested. The contribution from employees is prescribed by statute at rates between 5.5% and 12.5% of pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over 22 years.

The Fund had a total of 75,049 members as at 31 March 2025, an increase of 2.4% since the previous year. The chart below shows an analysis of the make-up of the fund's membership over the previous five years.

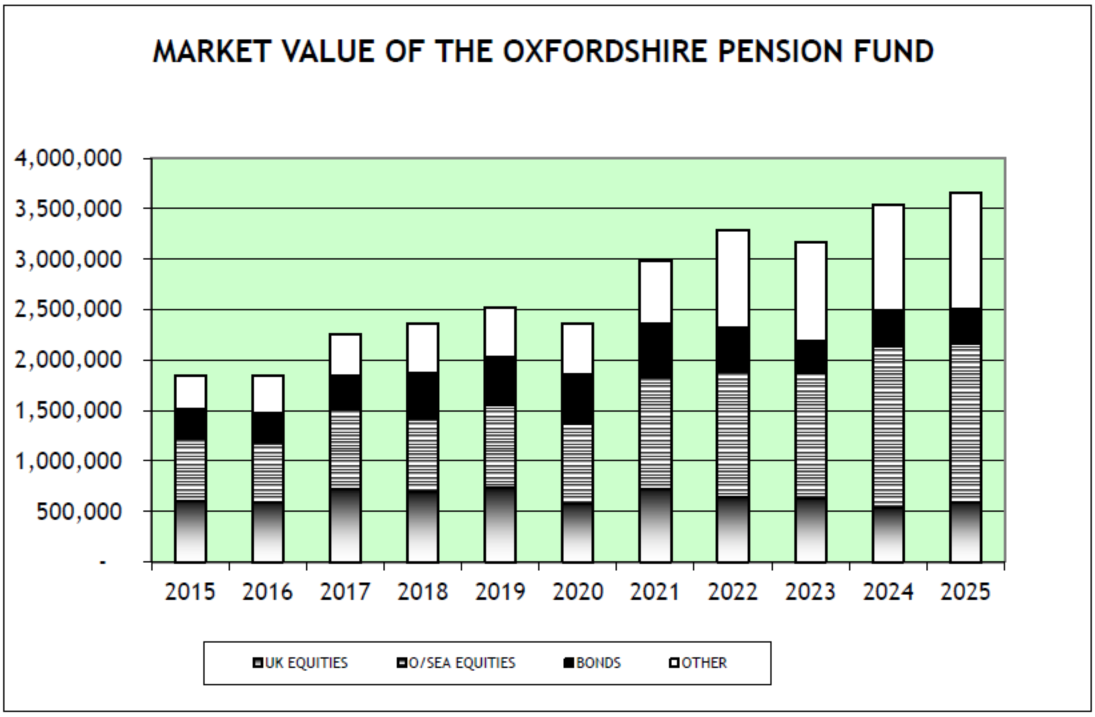


In terms of cash-flow, whilst the trend is downwards, the Fund remains cash positive, collecting £0.5m more on average each month in employer/employee contributions than it pays out by way of benefits, and direct administration and investment costs. This allows the Fund to maintain an investment strategy which maximises the long-term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

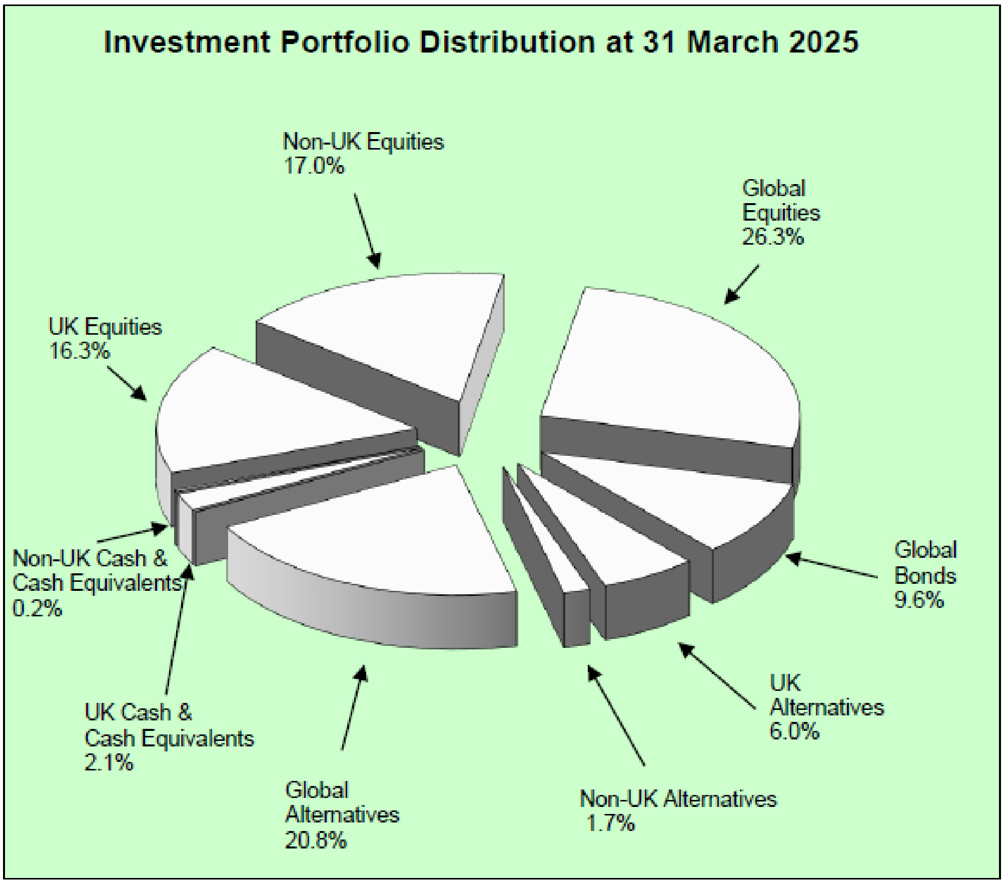
Investment Performance

The Fund value increased over the course of the 2024/25 financial year ending the year at £3.65bn (it was £3.54bn as at 31 March 2024). Total investment return over the year was 2.5%.

Market value of the Oxfordshire pension fund 2014 – 2025



The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2025 is shown in the chart below.



Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

Investment horizon

The Pension Fund is a long-term investor, with a suitably long-term investment horizon. Even if the Fund closed to future accrual today it could still need to be paying out benefits to members as far forward as 80 years from now. Therefore, the Fund needs to be looking that far ahead to ensure it has sufficient funds to meet its liabilities at that point in the future. This approach is encapsulated in the Fund's investment belief:

"*The long-term nature of the Fund's liabilities is a key consideration and typically implies a long-term investment horizon. As a long-term asset owner, we have a duty to interact with companies about their governance structures, policies, and operations."*

This long-term perspective requires that particular attention is paid to systemic risks, as these can potentially have a negative impact across most, if not all, asset classes the Fund is exposed to as a universal owner. As such these systemic risks could potentially undermine the Fund's primary risk mitigation strategy of diversification. This is why the systemic risk posed by climate change has been identified as the single greatest risk to the Fund and its ability to pay pensions to its members.

This requirement to take account of long-term systemic risks fed into the process of developing a Responsible Investment policy for the Fund, with the World Economic Forum's Global Risks report forming a key part of the risk framework for the policy. Particular attention was focused on the top 10 risks over the long (10+ years) term.

The Fund recognises the importance of promoting the highest standards of corporate governance and corporate responsibility amongst investee companies to protect the long-term investment interests of beneficiaries. Well-run companies are likely to be less susceptible to systemic risks, and more able to adapt to this type of risk than less well-run businesses.

Every three years the Fund's actuary undertakes a full valuation of the Fund and determines a funding level. Over the last three valuations the funding level has been determined as follows:

2019 – 99%
2022 – 111%
2025 - 129%

As such, the Fund considers that it's funding and investment strategies and associated beliefs have been effective in delivering against their objectives.

Principle 1:2: Governance and resources

As noted under Principle 1:1, Oxfordshire County Council is the Administering Authority of the Fund and has delegated responsibility for the administration of the Fund to the Pension Fund Committee. The Committee meets on a quarterly basis and considers all investment and administration issues relevant to the Fund.

The Committee consists of seven voting members made up of County Councillors, and three non-voting members selected to provide a broad level of representation to the range of employers and members in the Fund. Non-voting members consist of one District Council representative, one representative from a Higher/Further Education employer, and one scheme member representative.

Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.

As well as these formal groups the Fund has established an informal Climate Change and Responsible Investment Working Group that meets on a quarterly basis. The role of the working group is to review the Fund's strategy on managing climate related risks and opportunities and to monitor progress against the Fund's agreed Climate Change Policy and associated Implementation Plan, as well as the wider Responsible Investment Policy. The group consists of Committee and Board members, officers, the Fund's Independent Financial Adviser and a member of Fossil Free Oxfordshire, a local interest group.

Under the Pensions Act 2004 members of the Local Pension Board are required to have the relevant level of knowledge and understanding of scheme rules, fund policies, and pensions law. This legal requirement does not apply to members of the Committee but there is an expectation that they will seek to obtain the same level of skills and knowledge as required under the 2004 Act. The Fund understands the key role of training in meeting these legal duties and contributing to the effective operation of the Board and Committee.

In 2025 Committee members completed training in the following areas:

- Induction training for new Committee members
- LGA Fundamentals/TPR Toolkit
- Strategic Asset Allocation
- Triennial Valuation
- Intro to Pooling
- New pool selection process briefing
- Regenerative Farming as Natural Capital – delivered by Regenerate Asset Management
- Committee members also attended the Brunel Investor Day.

The results of a knowledge assessment were used as the basis to develop a plan to address those areas where scores were weaker. A log is kept of training undertaken by Committee and Board members, and this is published annually in the Fund's Annual Report, alongside the annual training plan.

The Fund has also established a Training Policy that requires all members of the Committee within their first year of membership to undertake an induction session on the Fund's policies and to have completed either the three-day Fundamentals course run by the Local Government Association or the relevant modules from the Pension Regulators Trustee Toolkit. This training requirement also applies for substitutes attending the Committee.

The Responsible Investment and Climate Change Working Group provides an opportunity for members of the Committee and Board to get a more detailed understanding of how the Fund implements its Responsible Investment Policy, with a focus on climate change. Sessions delivered in 2025 included training on conflict and human rights risk in relation to the Fund's equity portfolios, delivered by the Brunel Responsible Investment team.

The Fund has a Head of Pensions and an Investment team consisting of three team members. The team includes a Responsible Investment Officer whose main role is to support the Fund to achieve its stewardship goals, for example through the development and implementation of the Fund's Responsible Investment Policy.

Ultimate responsibility for delivery of the Fund's stewardship activities rests with the Pension Fund Investments Financial Manager, who reports directly into the Head of Pensions. The Responsible Investment Officer reports to the Pension Fund Investments Financial Manager and has 100% of their time allocated to the delivery of stewardship and responsible investment activities. Key to this is working closely with the responsible investment team at Brunel. The Responsible Investment Officer and the Pension Fund Investments Financial Manager have over 30 years' combined experience working in the field of stewardship.

Ongoing training on stewardship is provided to the Fund's officers by the responsible investment team at Brunel. The team also attend conferences, webinars, and other learning forums to develop their knowledge and understanding of stewardship and responsible investment.

The Fund is a member of various bodies through which it receives access to webinars, research and analysis including the Local Authority Pension Fund Forum, Climate Action100+, Investors with Purpose, and the Institutional Investors Group on Climate Change (IIGCC).

The Fund pools its assets with nine other administering authorities though the Brunel Pension Partnership (Brunel), which is authorised by the Financial Conduct Authority and has been established specifically to manage the assets of the pool. As a client of Brunel, the Fund has the right to expect certain standards and quality of service. The Service Agreement between Brunel and its clients sets out in detail the duties and responsibilities of Brunel and the rights of the Fund as a client. It includes a duty of care for Brunel to act in its clients' interests.

Brunel has a dedicated Responsible Investment team, including a dedicated Stewardship Manager who oversees voting and engagement. Stewardship at Brunel is applied across several avenues. Firstly, by appointed asset managers, secondly, through a specialist provider in EOS at Federated Hermes (EOS), directly by the Brunel Stewardship team and via collaborative forums. The appointment of a dedicated engagement and voting provider enables a wider coverage of assets and access to further expertise across different engagement themes. The EOS team is diverse, made up of many nationalities and language capabilities, which facilitates engagement in local languages and an understanding of cultural customs.

Voting on Brunel's passive index-tracking pooled investments is carried out by Legal and General Asset Management. Although they are not bound by Brunel's Voting Guidelines, Brunel has historically been able to direct votes in a small number of cases, so they reflect the approach taken in Brunel's active portfolios. Legal and General Asset Management partnered with Tumelo in 2024, which has allowed pass-through voting for partner funds for the 2025 proxy season. This development enables Brunel to vote consistently across both active and index-tracking funds and enable a unified voice, for example by voting in line with LAPFF where those votes vary from the EOS approach.

Brunel will seek to use direct engagement where it feels that this will add value. The Oxfordshire Fund has identified the development of its own direct engagement capacity as a priority. This was implemented in 2025 through its participation in the Brunel Climate Physical Risk engagement programme.

Responsibility for managing specific ESG risks, including climate risk are explicitly incorporated into Brunel's investment principles and the role specifications of its Board, executives, and other key personnel. Responsible investment is a component of staff member annual objectives, which informs annual appraisals; no staff receive bonus pay.

Principle 1:3: Policies process and review

The Fund's policies are kept under regular review and are updated and approved by Committee as required.

In 2024 a new Responsible Investment Policy was adopted by the Pension Committee in response to an internal review by officers into the Fund's responsible investment and stewardship approach.

The Responsible Investment Policy, alongside other key policies such as the Climate Change policy, will be reviewed on a regular basis and updated where necessary.

Every three years the Fund undertakes a fundamental review of its investment strategy, considering the latest results of the triennial funding valuation, which draws on the expertise of the Fund's Independent Financial Adviser. The next Strategic Asset Allocation review will take place in early 2026.

The Fund publishes its policies along with details of stewardship related activities including quarterly holdings data and voting records on its website. As a public body the Fund has a legal duty to ensure that its website complies with accessibility requirements including the need to ensure content is written clearly and in plain English. This transparency enables the Fund's stakeholders to assess the extent to which the Fund is meeting its stewardship commitments through its investment activity, both in terms of holdings and voting.

Brunel's Responsible Investment Strategy and Policy, Stewardship Policy and Climate Change Policy were developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client Responsible Investment sub-Group(RISG). The Oxfordshire Fund takes an active role in these groups, including chairing the Responsible Investment sub-Group.

Chairing the Responsible Investment sub-Group gives the Oxfordshire Fund the opportunity to co-ordinate with the other client funds to set the agenda prioritising which issues are covered in the meetings, as well as providing an opportunity to challenge Brunel where the client funds feel there is a need.

External speakers have been invited to the RISG meetings to talk through emerging RI topics or areas that are of particular interest to clients. For example:

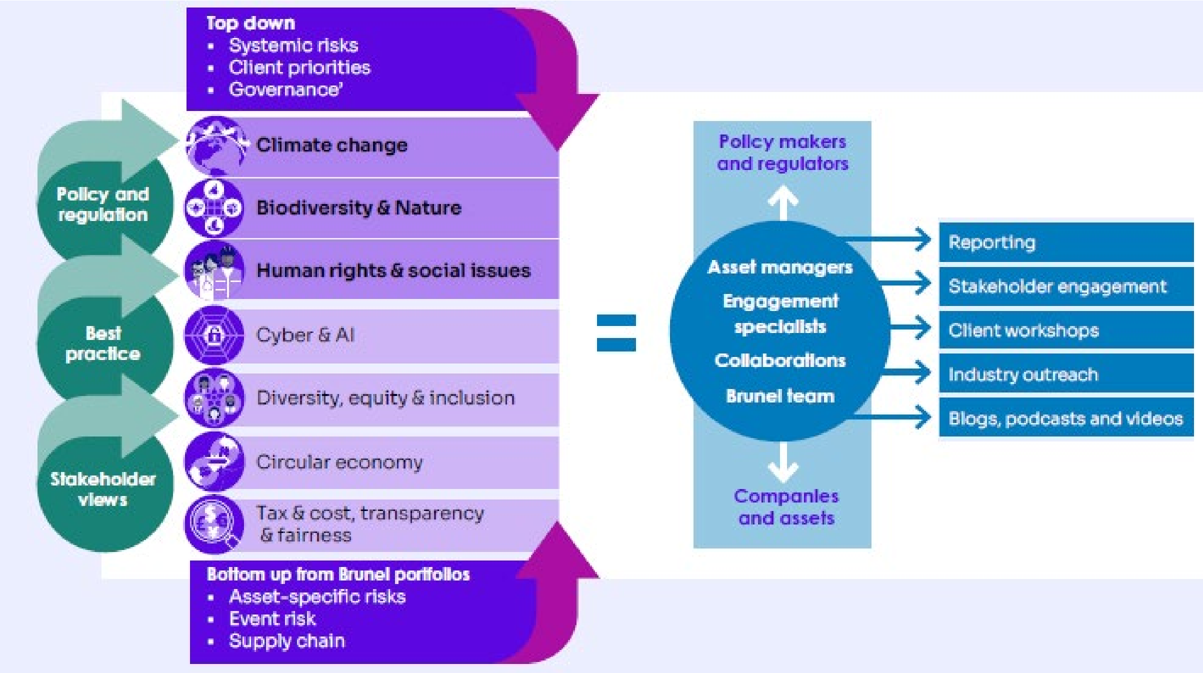
- EOS Hermes presenting the key points from the AGM season
- Chronos presenting on the Taskforce for Nature-related Financial Disclosure
- Maplecroft presenting on Human Rights risk mapping

Whilst Brunel's strategy and policies are designed for the long term (5+ years), they are reviewed annually. The Brunel Board approves and is collectively accountable for the broader suite of Brunel's policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by the Chief Responsible

Investment Officer, who is supported by a dedicated Head of Stewardship to ensure high levels of coordination and implementation.

Brunel has identified seven priority themes which are informed by its investment beliefs, client funds' policies and priorities, together with stakeholder views, regulatory and statutory guidance, all aligned with best practice. The seven priority themes, as part of an integrated Responsible Investment process, are illustrated in the diagram below. The themes are made up of three core priority and four sub-priority themes. Further detailed information is included in Brunel's annual [Responsible Investment and Stewardship Outcomes Report].

In line with the Fund's Climate Change Policy Implementation Plan the Fund has produced a [Taskforce on Climate-related Financial Disclosure (TCFD) report], which is linked to from the Fund's webpage. Using the TCFD framework helps ensure that the Fund can report on progress against its climate commitments in a fair, balanced and understandable way. This report is reviewed by the Pension Committee as part of their assurance process that the Fund is on course to meet its climate change commitments.



Reporting outputs provided by Brunel to its client funds to track progress against stewardship commitments are reviewed by the RISG to ensure that stewardship reporting is understandable, fair, and balanced. Brunel publishes its stewardship activities, including engagement and voting records on its website.

The Brunel Stewardship Outcomes Report and [Climate-related Product Report] are presented to the Pension Committee and reviewed at the Fund's quarterly Responsible Investment and Climate Change Working Group as part of the assurance process of Brunel's climate change stewardship activities on behalf of the Fund.

The Fund also reports on the Oxfordshire Fund's specific results from the Climate-related Product Report in its annual TCFD report and uses the emissions data to assess performance against the annual reduction target set out in its Climate Change Policy.

In line with UK regulatory guidance, from 2024 Brunel has been providing the Fund with separate TCFD Product level reports for each of its equity portfolios plus the sterling bond portfolio. This enables the Fund to assess the extent to which each of these portfolios are aligned with a net zero pathway, alongside a snapshot of the overall alignment of the aggregated portfolio. This is a key assurance tool for the Fund to track its own alignment with its net zero objective. The Product reports also allow the Fund to provide more granular reporting to stakeholders, including Committee members, through its own TCFD reporting.

The Fund's draft TCFD report is reviewed by the Pension Committee, with an opportunity for members of the Committee to challenge and assess the extent to which the report is understandable, fair and balanced, ahead of signing it off for publication. The report provides assurance that the Fund is aligned with its objective of achieving net zero by 2050.

The latest Oxfordshire Pension Fund TCFD report is also presented to the Fund's Responsible Investment and Climate Change Working Group, which includes representatives from the Pension Board, the Pension Committee, as well as Fossil Free Oxfordshire, a local climate change interest group.

Principle 1:4 - Conflict of Interest

There is a specific Conflict of Interest policy for the Pension Committee in place. This policy covers all potential conflicts of interest, including in relation to responsible investment and stewardship.

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts, checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

At the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda, including anything related to stewardship or responsible investment items.

A briefing is provided to all new members of the Committee clearly setting out their roles and responsibilities on the Pension Fund Committee, including in relation to the Conflict-of-Interest policy and how it relates to stewardship, for example through the need to comply with Market Abuse Regulation around insider trading.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website. This includes a section on conflicts of interest.

Managing potential conflict of interest related to local investment
Under the government Fit for the Future LGPS reforms there is an emphasis on leveraging LGPS capital to support local investment. The Fund sees its role as facilitating and developing a local investment ecosystem that leads to investments delivering appropriate risk adjusted returns to the Fund and measurable positive impacts to the local area. The Fund will work to ensure appropriate governance structures are put in place for local investing to manage potential conflicts of interest and make sure investments are subject to rigorous due diligence.

The Fund expects all service providers to have effective policies addressing potential conflicts of interest. This includes consideration of where a conflict of interest could arise in respect of stewardship or responsible investment. Where such a conflict is identified then the Fund would engage with the service provider to identify how the conflict was being managed, and how any related risks are being mitigated.

Brunel maintain a Conflict of Interest Policy, which is published on their website and includes a specific section on stewardship conflicts. The Brunel site outlines situations in which a conflict of interest could arise during stewardship activities and the steps that have been taken to reduce the risk of an actual conflict and to mitigate the impact of such conflict.

Principle 5:1 - Dialogue with clients and/or beneficiaries

The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014). The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 15 -18 of the Fund's 2024/25 annual report.

Communication with stakeholders

The Pension Fund recognises the need to communicate effectively with its stakeholders and engage them in relation to the investment decisions made by and on behalf of the Fund. There is a Communication policy which covers both members/beneficiaries and employers.

The Fund maintains a dedicated area of the website to provide resources and information about investments activity which includes information on:

- Governance and pooling
- Links to Strategy and policy documents, including the Climate Change policy and accompanying Implementation Plan
- Up to date investment holdings and voting activity downloadable reports
- Links to the Responsible Investment policy and TCFD report

The Fund uses secure email, or the Oxfordshire Pension Fund website to communicate with members wherever possible, with paper letters only being sent on specific request or where no email address is available.

The main communication channels for the Scheme are via the website, email alerts or the appropriate newsletter. There is a quarterly newsletter sent out to members, and a monthly newsletter to employers. The Fund also has a LinkedIn page.

Key policies such as the Investment Strategy Statement, Funding Strategy Statement, Communication policy and Governance Compliance statement are made freely available to stakeholders, both online and as appendices in the Annual Report. The Annual Report also contains information on stewardship and responsible investment, for example, a copy of the most recent TCFD report is included.

There are a number of initiatives around engaging members in relation to the Fund and stewardship. There is a regular item on the agenda at the Council Worker's Climate Group meetings for an update to be provided by the Pension Fund on progress towards net zero in our investment portfolios. There has also been collaboration with stakeholders, for example Fossil Free Oxfordshire were consulted on the development of both the Climate Change and Responsible Investment policies. Pension Committee meetings are open to the public and allow members to voice their opinions and concerns directly to Committee-members and officers. The agenda, minutes and papers for each Committee meeting are made available on the Pension Fund Committee page of the Oxfordshire County Council website.

On an ongoing basis, officers respond to written and verbal questions and queries submitted directly by members or on their behalf through unions, as well as Freedom of Information requests in relation to stewardship and responsible investment.

To raise the profile of responsible investment and stewardship with the membership a number of RI themed articles have been included in the quarterly Pensions Newsletter over the past year. The topics covered an update on the Pension Committee's decision to invest £65m into affordable and transition housing and a successful exit from a healthcare company investment that originally spun out of the University of Oxford.

The creation of the Pension Fund Investment area of the website, with the facility for users to download holdings and engagement reports, has provided a good resource for those stakeholders interested in a more detailed understanding of what investments have been made on behalf of the Fund, and how the Fund exercises its voting rights. Officers have consulted with various stakeholders on what they would like to see around improved reporting on stewardship. One area that has come up several times is a request for some sort of online dashboard to monitor performance. This is an area that will be explored in more detail by officers.

Ahead of the Fund carrying out its triennial Strategic Asset Allocation (SAA) in Q1 2026 an online survey consultation with members on what their priorities are around stewardship and responsible investment was sent out in Q4 2025. This consultation built on the previous member survey held in October 2023, which informed the development of the responsible investment policy. The new survey will help the Committee and officers to have a clearer understanding of member views ahead of the SAA process.

2025 Member survey:

In late 2025, the Fund asked members to share their views on how their pension savings are invested. More than 2,100 members took part in the survey, providing valuable insight into what matters most to them when it comes to responsible investment, defence and aerospace investments, and investing locally.

Responsible investment: balance matters
Most respondents told us they are familiar with responsible investment and generally support it. Many members feel pension investments should avoid causing harm, or contribute positively to society, but not at the expense of paying pensions. A significant number highlighted the need to balance ethics and financial returns, rather than treating them as competing priorities.

There was strong support for an engagement-led approach - staying invested in companies and using influence to encourage positive change, with clear consequences if progress is not made. However, many members also said they want clearer, more accessible information about what the Fund’s responsible investment policy means in practice, including real-world examples and plain-English explanations.

Defence and aerospace: conditional support
Investment in defence and aerospace companies prompted thoughtful and sometimes strongly held views. Overall, most members did not support blanket divestment. Many recognised the importance of these companies to national security and the UK’s industrial base, while also stressing the need for strong engagement to reduce harm to civilians in conflict-affected areas. Some members expressed ethical objections, particularly around human rights and specific conflicts. Across all views, there was a clear expectation that decisions should be active, transparent and clearly explained, with clear limits and consistency.

Local investment: strong support, clear priorities
Members were broadly supportive of investing locally, though opinions varied on what “local” means. Around two thirds favoured investment with a clear link to Oxfordshire, while others supported a wider UK focus. Priorities were clear: renewable and net-zero energy, nature-based solutions, affordable housing, and support for local businesses ranked highly. Members welcomed local and impact investment as part of a balanced portfolio, provided decisions remain focused on long-term value.

What happens next
The feedback shows there is no single view that fits everyone. What unites members is a desire for clarity, transparency and reassurance that pensions remain secure. The Fund will use the findings to improve how its investment approach and decisions are explained going forward.

Employers Forum:

Each year the Fund organises an Employers Forum where the Fund’s employers are invited to an in-person event and provided with presentations and workshops on various activities the Fund is involved in. The agenda for 2025’s meeting included an overview of the 2025 Valuation results, a session on employer responsibilities provided by Hymans Roberts and a review of the Fund’s performance and investment by the Independent Investment Advisor.

Section 2: Activities and Outcomes

Principle 2:1 – Integrating Stewardship and investment

The Fund invests across a wide range of asset classes and works with Brunel to integrate stewardship and responsible investment activities into the investment process. The Brunel Pension Partnership outsources 100% of its assets under management and specialises in portfolio construction and risk management through the selection, appointment, and monitoring of asset managers. Brunel works collaboratively with other investors, policy makers and regulators to build capacity to manage sustainability related risks and opportunities.

The Fund works with Brunel Pension Partnership to define and develop the pool’s approach to responsible investment and stewardship, and to ensure that approach is aligned to the beliefs and policies of the partner funds, including Oxfordshire. One of the key forums for this is the monthly Responsible Investment sub-Committee, which is chaired by the Oxfordshire Fund’s Responsible Investment Officer.

Brunel’s fund managers are required to produce regular reports outlining their engagement and ESG related activity. All the Fund’s investment managers are signatories to the United Nations Principles for Responsible Investment Initiative.

To help track and report on progress against the delivery of the Climate Change policy the Fund produces a report each year based on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. This TCFD report is included in the Fund’s Annual Report. From 2023 the fund has also been a signatory to the UK Stewardship Code. The Fund’s statement in support of its 2026 application to become a signatory is publicly available through the Fund’s Pension Investments webpage

The development and adoption of a Responsible Investment policy for the Fund was a recognition of the need to bring together key elements related to stewardship and the Fund’s approach to responsible investment into a single document. This included a set of responsible investment beliefs and the prioritisation approach the Fund would be taking to integrating stewardship into its investment processes. This new policy was formally adopted by the Committee in June 2024.

The RI policy includes a set of core investment beliefs. The beliefs listed below are of most relevance to ESG integration and Stewardship:

- *The long-term nature of the Fund’s liabilities is a key consideration and typically implies a long-term investment horizon. As a long-term asset owner, we have* *a duty to interact with companies about their governance structures, policies, and operations.*

- *The Fund must seek to ensure that the actions of those appointed to work on the Fund's behalf align with the long-term interests and policies of the Fund.*

- *Investing responsibly and investment performance are not mutually exclusive. We believe that investments will generate improved returns in the long run where there is consideration of ESG factors at a strategic level by investee companies. We believe in investing in well governed companies. In making investments we will seek to minimise negative impacts on society and the environment and, where possible, to make a positive contribution.*

- *The Fund believes that using active stewardship to encourage the highest standards of corporate governance and promoting corporate responsibility by investee companies helps protects the financial interests of pension fund members over the long term.*

- *Engagement can be effective in initiating change but must be backed up with a robust escalation policy, up to and including divestment. In determining the approach to engagement the nature of the industry and ability to change should be considered.*

- *Aligning with like-minded investors and organisations is often more effective than working in isolation.*

Priorities:

A set of priority issues and sub-themes was identified in the RI Policy to be the focus of the Fund's responsible investment and stewardship activities over the near term:

Climate Change
- GHG emissions reduction in the real economy
- Just Transition
- Transparency and disclosure
- Financed emissions
- Green revenues (impact investing)

Nature and Biodiversity
- Nature and biodiversity risk assessment
- Deforestation
- Natural Capital (impact investing)

Human Rights, Including Supply Chain Labour Standards and Slavery
- Human rights norms compliance
- Just Transition
- Diversity and inclusion (DEI)
- Free, prior, informed consent (FPIC)

Governance

- Transparency and disclosure
- Diversity and inclusion (DEI)

The governments Fit for the Future LGPS reforms, including the requirement for the Fund to find a new pool partner, has resulted in a delay to the full implementation of the RI Policy whilst the Fund has been transferring from Brunel to LGPS Central.

One of the key factors influencing the Fund's choice of LGPS Central as our new pooling partner was alignment with our responsible investment beliefs and confidence that our new pool would be able to deliver against our responsible investment commitments.

As part of the integration into the new pool during 2026 Fund officers will work with the RI team and other staff at LGPS Central to implement our commitments in the fund's RI Policy.

Brunel Pension Partnership:

Responsibility for managing specific ESG risks, including climate risk, as they affect Brunel and its clients, are explicitly incorporated into the role specifications of Brunel's' Board, executives, and other key personnel. Brunel expects appointed managers to weigh up and clearly demonstrate how Environmental, Social and Governance (ESG) risks and opportunities are embedded into their investment process and how it is as part of their wider evaluation of investment risk and return objectives, as opposed to treating it as a stand-alone concern.

Brunel has built its responsible investment approach on three pillars: to integrate sustainability criteria into its operations and investment activities; to collaborate with others across the industry and support effective policymaking; and to be transparent in its activities.

Responsible Investment Overview of ESG in action at Brunel

	To Integrate	To Collaborate	To be Transparent
Own Operations	• Board commitment • In all we do • Staff objectives	• Contributing to local and global community initiatives • Diversity and inclusion ambassadors	• Best practice own reporting including climate change, diversity and tax
Portfolio implementation	• All asset classes globally • Fully integrate into managers selection • Low carbon and sustainability portfolio options	• Innovating investment solutions • Cross pool collaboration • ESG risk metrics and tools	• Impact reporting • Positive case studies • Carbon and sustainability metrics
Responsible Stewardship	• Single voice • Active engagement	• Annual engagement plan • See Partnerships and Affiliations	• Proxy voting Policy and records • Pre-declaration on selective votes

In line with its Climate Change policy, the Oxfordshire Pension Fund commits to transitioning its investment portfolios to be aligned to a net-zero global economy by 2050. The Fund also commits to transitioning its investment portfolios consistent with the best available scientific knowledge, including the findings of the Intergovernmental Panel on Climate Change, to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. To achieve this goal in a sustainable and measurable way over time the Fund will target a 7.6% annual reduction in the intensity of GHG emissions across its investment portfolios, provided that the 2020 baseline position of the Fund is broadly similar to that for global emissions.

Where climate targets are not being met then the Fund’s first action would be to request further information from Brunel on the reason or reasons for not achieving the targets. Where there are mitigating circumstances, the Fund would assess these on a case-by-case basis. For example, if there is an increase in Scope 1 emissions for a manufacturer of air source heat pumps to meet rising demand then the Fund’s officers would take into account the long-term sustainability benefits of enabling the transition of heating systems to electrification and away from fossil fuels.

The Fund recognizes that the integration of stewardship into the investment process may need to take different forms, dependent on factors such as asset class or geography.

Case study – Integrating responsible investment into asset manager selection

During 2025 the Pension Committee decided the Fund should use some of the money allocated to the Property asset class to make an investment into a high impact transitional or supported housing fund or funds. Officers of the Fund were tasked with carrying out a review of the available funds and then to make a recommendation to the September 2025 Pension Committee as to which fund to invest into.

Fund managers were assessed on a variety of key areas, including on the extent to which they integrate environmental and social factors into their fund management process. This included scoring on environment factors such as whether they have set net zero targets; what level of EPC rating they targeted for new developments and if they prioritised developments that included air source heat pumps rather than gas-fired boilers.

For social issues fund managers were scored on their overall social impact, as well as their approach to place-making to build more cohesive communities when financing new developments, and how they manage issues raised by tenants and the overall satisfaction levels of tenants.

The Fund also includes stewardship and responsible investment factors into the tendering processes for other investment service providers. For example, as part of the 2025 tender process for a provider of actuarial services potential advisors were assessed on their capabilities around factoring in long term climate impacts into the valuation process.

Case study - Cyber & AI: Brunel's work with Royal London Asset Management to integrate assessment of cyber risks

Brunel continues to work with Royal London Asset Management through their collaborative engagement on cyber security addressing systemic cybersecurity risks. The initiative has enabled the development of a consistent and joint set of investor expectations, that is being used to evaluate cybersecurity processes across holdings exposed to high risk.

Brunel engaged with an American health insurance provider following a cyber event to understand their response to the incident, remedial actions and future resilience measures to protect them from associated financial loss. The engagement provided valuable insights into their cybersecurity governance, including quarterly reports from the Chief Information Security Officer (CISO) on vulnerability management and new threat intelligence.

This is an example of how ESG related risks and the associated stewardship activity to mitigate those risks is integrated into the Brunel investment process.

Principle 2:2 - Promoting well-functioning markets and managing systemic risks

The Pension Fund Committee is responsible for the prudent and effective stewardship of the Oxfordshire County Council Pension Fund. As part of this duty the Committee oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves risk identification; risk analysis; risk control and monitoring. This includes monitoring of the investment environment to identify market-wide and systemic risks. The Pension Fund Committee receive quarterly investment performance reports and regular updates from fund managers which provide an opportunity to ensure their strategies are in line with expectations and to discuss any risks the Committee is concerned about. Officers also have regular meetings with the Fund's Independent Financial Advisor and fund managers, including reports from Brunel specifically addressing systemic risks related to sustainability themes.

It is through these meetings and reports that fund manager performance is reviewed and key issues are discussed. The Fund's officers carry out ongoing reviews of the global market to identify systemic risks, including risks related to sustainability issues, for example integrating the World Economic Forum's Annual Global Risk reports into the Fund's risk frameworks and the Responsible Investment policy priorities.

Diversification is the Fund's primary tool for managing investment risk. Diversification can improve returns and reduce portfolio volatility by ensuring that investment risk is not concentrated in a particular asset class or investment style and by reducing exposure to losses through the poor performance of an individual asset class.

The Fund's Responsible Investment policy contains a vision statement that defines the Fund's approach to responsible investment and its role in sustaining well-functioning financial markets:

"*As a long-term investor in global markets the Fund's investments impact on the future of the global economy, environment and society. We take this responsibility seriously, so we regularly look at the major environmental and social issues facing the world and work to ensure we are actively considering them in our decision making.*

We believe the financial system has a role to play in the transition to a more resilient and sustainable global economy. As a participant in the financial system the Fund seeks to invest in those companies committed to building a better future, engage with issuers and other stakeholders and to advocate for positive change through working in partnership with other like-minded organisations.

The Fund will be transparent in its responsible investment activities, clearly communicating both our approach and our progress."

The Fund recognises that it is a relatively small player when it comes to the overall size of its portfolio, and that one key approach to amplifying its voice when looking to address systemic sustainability risks is through collaborating with other investors.

The Fund's participation in the client fund pooling of the Brunel Pension Partnership, or its membership of the Local Authority Pension Fund Forum (LAPFF) are examples of sector-specific collaboration, both formal and informal. Stewardship and responsible investment are key considerations for both groups. The Fund's membership of broader coalitions of investors such as the Climate Action 100+ group, or the Institutional Investors Group on Climate Change (IIGCC) enable it to have a voice within cross-industry convening of investors and to take part in coordinated engagement with companies on climate change and the associated risks.

The Pension Fund has a fiduciary duty to invest in the best long-term financial interests of its members. The investment goals of the Pension Fund are set out in its Investment Strategy Statement. Climate change has been assessed as presenting a very significant material risk to the Pension Fund's investment returns over the long-term given its systemic nature and the effects it could have on global financial markets. It follows that the Fund's fiduciary duty inherently requires that it is managing climate related risks to its investments, particularly given the Pension Fund's long-term investment horizon. Even if the Fund closed to future accrual today it would still potentially be distributing benefits 80 years later.

The Fund has published a Climate Change policy, and an accompanying Implementation plan which provide guidance on both its commitment as a fund to transitioning its investment portfolios to net-zero GHG emissions by 2050, and how it will go about achieving this via its investment activity. The Fund also commits to transitioning its investment portfolios consistent with the best available scientific knowledge, including the findings of the Intergovernmental Panel on Climate Change, to pursue efforts to limit any temperature increase to 1.5°C above pre-industrial levels. This aligns the Fund with the Paris Agreement. The Fund will regularly report on progress, including establishing intermediate targets consistent with the annual carbon emissions reduction targets set in the United Nations Environment Programme's Emissions Gap Report.

Brunel has set the following targets in its Climate Change policy:

By 2040 all assets are i) achieving Net-Zero or ii) meeting a criterion considered to be aligned or iii) aligning*.
100% AUM in material (high impact) sectors** in developed listed equities and sterling corporate bonds are

i) achieving Net-Zero or ii) meeting a criterion considered to be aligned or iii) aligning* by 2030, extending to all markets by 2040.

* Note that, for a segregated listed market product to be on track for meeting its target, at least 80% of assets must fall into the first and second categories

** Currently in scope are listed companies on the Climate Action 100+ focus list; companies in high impact sectors consistent with Transition Pathway Initiative sectors including banks.

The Fund will seek to reach its climate change commitments through its investment activities, as well as through advocating for, and engaging on, corporate and industry action, and public policies, for a low-carbon transition of economic sectors in line with science and under consideration of associated social impacts. The Fund's Climate Change Implementation Plan gives specific targets to achieve net zero, for example by committing to a 7.6% annual reduction in the intensity of GHG emissions across its investment portfolios, provided that the 2020 baseline position of the Fund is broadly similar to that for global emissions.

The Fund recognises that tackling the systemic risk of climate change will require a concerted effort across its investment universe. Specifically, asset owners and asset managers will need to align their engagement activities to ensure those companies with the greatest climate impact are on a pathway to net zero. For this reason, the Fund is supportive of the advocacy work being done by Brunel to encourage greater alignment of the voting between asset owners and their asset managers.

Case study: Aligning asset managers and owners on climate stewardship

Building on a desire for better alignment between asset managers and their asset owners' climate stewardship strategies an Asset owner statement on climate stewardship was issued in February 2025 which was designed to set out clear and consistent expectations for asset managers on climate stewardship. Co-authored by Brunel, the People's Pension and Scottish Widows the document defined 5 core principles expected of asset managers:

- Industry/market and public policy engagement should be core to the climate stewardship proposition across asset classes
- Where permissible, asset managers should prioritise collaborative initiatives to achieve greater impact and embed efficiencies in engagement activities
- Asset managers' prioritisation framework for company engagement should be rooted in a robust theory of change that delivers maximum impact
- A systematic approach to voting is imperative
- Stewardship functions need to be adequately resourced

This initiative is particularly relevant in an environment where managers are experiencing counter pressures to making climate progress and need the ongoing support of their asset owners to build on their work in this area. Brunel has had reassuring messages from its managers in support of this statement and expect this to contribute to its relevance in the industry.

The statement has now been signed by asset owners representing more than £2 trillion. The Oxfordshire Pension Fund is a signatory.

Supporting policy makers and regulators through responding to consultations, providing advice, and participating on working groups are all ways in which the Fund seeks to bring about systemic change.

Case study: Responding to government consultation

In June 2025 the Department of Energy Security and Net Zero (DESNZ) opened a consultation on requirements for climate-related transition plans.

Brunel invited key members of the asset owner community to a round table. The objective was clear: to create alignment and shared understanding across asset owners on the practicality of the policy proposals, implementation challenges and data gaps and to present more coherent, evidence-based feedback to regulators.

On transition planning and assurance, participants supported ambition and transparency but cautioned against overly prescriptive requirements that could discourage candour, innovation or long-term thinking. Forward looking information, narrative explanation and safe harbour protections were seen as essential to credible, meaningful disclosures.

Climate change is a global systemic risk, the Fund recognises that diversification alone or stewardship activities such as company engagement will not be enough to address and mitigate climate change, and the potentially disruptive effect it may have on the functioning of markets. By engaging with regulators and legislators in collaboration with other stakeholders the Fund seeks to promote the continued improvement of the functioning of financial markets.

Although the Committee views climate change as the single greatest sustainability risk facing the Fund there is recognition that there are other significant risks relating to sustainability themes, such as biodiversity loss or social disruption stemming from breaches of international human right standards, that may also pose major systemic risks. The Fund's Responsible Investment policy encompasses these wider sustainability risks and opportunities.

The policy and the prioritisation of issues that it provides create an effective framework going forward for the Fund to respond to market-wide and systemic risks and thereby contribute to the promotion of well-functioning financial markets.

Principle 2:3 – Engagement

Voting and engagement are key elements of the Fund's management of ESG risks. Engagement on behalf of the Pension Fund primarily takes place through Brunel, their appointed fund managers, and their engagement provider, in accordance with the approach set out in Brunel's Stewardship Policy and Voting Guidance, to which the Fund provides input. Voting is undertaken on behalf of the Fund by Brunel utilizing the expertise of their voting and engagement provider and appointed managers.

Brunel have contracted the specialist engagement and proxy voting firm EOS at Federated Hermes. Brunel selected EOS as its appointed engagement and voting services provider following a competitive tender and a comprehensive due diligence process.

Coverage includes segregated active equity portfolios and corporate fixed income. In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery of service meets expectations, and in this instance that there is continued alignment of engagement and voting priorities and practices. Brunel is in regular contact with Hermes throughout the year. If expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

Working on behalf of Brunel and its client funds including Oxfordshire, EOS Hermes engaged with 651 companies during 2025 around 3,144 environmental, social, governance strategy, risk and communication issues and objectives. Over 400 company engagements were with senior management or board members and 115 with the CEO or Chair.

Below is a split of these engagements by theme and whether there was progress as the result of the engagement. There is also data on completed engagement objectives and discontinued ones

Expectations

The key expectations that the Pension Fund has of its engagement providers are laid out in the Fund's Engagement Policy. The primary expectation is that investee companies are engaged with to drive outcomes that are consistent with the Fund's stewardship priorities as laid out in the Fund's Responsible Investment and Climate Change policies.

Initially the focus for engagement will be on listed equities and corporate bonds which make up a large proportion of the Fund's investments and have more established processes and data to enable the Policy to be applied.

The Fund recognises that engagement approaches for other asset classes, such as property, infrastructure or private equity, will need to be developed in future iterations of the Policy due to the different nature of the investments and data sets available. The Fund is supportive of Brunel's work to extend engagement beyond equities.

The Fund's Responsible Investment policy outlines its expectations for engagement. It should be transparent, the reasoning for decisions should be predictable, recorded and accessible as far as practicable. The engagement approach should take opportunities to signal positive change to the wider market and society.

The following Brunel case study demonstrates how supporting a shareholder resolution can enhance engagement on an issue such as equality:

Case Study:
Votes to note - Deere & Co

At Deere & Co, Brunel voted **For** the shareholder resolution requesting a civil rights audit. The proposal asked for an independent assessment, consistent with the Civil Rights Audit Standards, to analyse bias and discrimination risks across the company's policies, practices, products and services, and to publicly disclose the findings, given its heightened risk of inequitable practices due to a broad customer base and extensive supply chain. We were supportive of the underlying rationale given the company's operational context. The resolution received **30.4%** support.

Decisions on when and how to engage with investee companies should not be postponed or avoided in the absence of perfect data. Reasonable estimates should be used when actual data is unavailable. The absence of data should be considered as a potential criterion fail where there is a reasonable expectation for a company to make the data available. It is primarily the responsibility of companies to generate verifiable data that can be used to guide investment decisions that integrate stewardship and responsible investment principles.

Engagement should follow the existing escalation process whereby, if insufficient progress is being made, additional actions will be initiated, including collaborative engagement with like-minded institutional investors, speaking at the company's AGM, voting against the chair and other board members, filing or co-filing a shareholder resolution, raising concerns in the public domain and, where the company refuses to make the required changes, there is the potential for divestment.

Engagement will also aim to accelerate improvements in data quality and coverage by engaging with companies to disclose the required information for assessing alignment. These expectations have been communicated to Brunel, and via them to EOS Hermes and LGIM.

Much of the engagement on behalf of the Fund relates to Paris Agreement 1.5°C alignment. EOS Hermes carried out a wide range of engagement on Paris alignment in 2025. As a fund, Oxfordshire has identified engagement with the Climate Action 100+ companies as a key target, given that these companies have some of the highest impacts on GHG emissions. The Fund has also prioritised engagement with non-Climate Action 100+ companies where those companies are identified as being in the Fund's top 25 portfolio companies for climate exposure.

Brunel's engagement priorities are developed with clients and communicated to EOS. There are multiple and distinct touchpoints throughout the year that Brunel and its clients utilise to provide feedback on the engagement plan. To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

All engagement activity on behalf of the Fund by EOS Hermes is published quarterly on the Brunel website. Brunel publishes an annual Responsible Investment and Stewardship Outcomes report, which is made publicly available through their website, which includes annual statistics for engagements by EOS on behalf of Brunel and its client funds.

A specific quarterly report is delivered to the Fund which identifies the voting activity carried out by both Hermes and LGIM at the companies that are in Oxfordshire's portfolio. These reports are then published on the Oxfordshire Pension Fund's investment webpage.

EOS Hermes are invited to address the Responsible Investment sub-Group after proxy season each year. This is an opportunity for the client funds to get an update on voting activity and, where necessary, to challenge Hermes on their proxy voting actions.

Pass-through voting

During 2025 Brunel implemented a solution which enables it to vote directly on its passive portfolio holdings. The Tumelo pass-through voting platform provides greater flexibility to carry out voting where there is a variance in the approach to a specific company from the LGIM voting policy.

For example, as a member of LAPFF the Oxfordshire Fund receives regular alerts on LAPFF voting recommendations. These are then passed through to the Stewardship team at Brunel to see if they align with Brunel's voting approach and, if so, Brunel will vote in line with the LAPFF recommendation.

The Brunel case study below gives more detail on the implementation of pass-through voting.

Case Study:
Tumelo: strengthening asset owner oversight and alignment across active and passive voting

In 2025, we continued to use Tumelo to strengthen alignment between our stewardship priorities and voting outcomes across both active and passive equity holdings. The platform has supported a more coherent approach to escalation, particularly on climate-related votes, by enabling targeted intervention.

Practically we prioritised a defined subset of companies where voting outcomes were most relevant to our escalation strategy, notably where there was overlap between active and passive holdings or where votes formed part of a wider engagement or escalation pathway. This prioritisation helped streamline decision-making and ensured stewardship resource was focused where it could have the greatest impact.

Outcomes and decision-useful insights

Through Tumelo, we applied overrides to over 30 shareholder resolutions during the year. These interventions were primarily linked to climate-related escalations and enabled greater consistency in how voting decisions reflected our expectations across portfolios. We maintained our manager's vote instructions as default on the rest of the portfolio given their strong RI and stewardship credentials.

Shell plc

A key example during the year was our voting at Shell, where Tumelo was used in the context of a co-filed shareholder resolution. The ability to align voting across active and passive holdings was particularly important in this instance, given the close voting results of 20.4%.

Stewardship operationalisation

By integrating the platform into established systems and workflows, we were able to enhance oversight and decision quality without materially increasing operational complexity.

While we remain mindful of resourcing considerations, our experience to date demonstrates that a targeted, risk-based approach to pass-through voting can improve alignment, strengthen escalation, and deliver more decision-useful insights, particularly where asset owners are engaging at depth with a small number of priority companies.

Although climate change will remain the number one sustainability issue for the foreseeable future given the magnitude of the risk to returns that it poses, the development of a broader Oxfordshire Pension Fund Responsible Investment policy means that other engagement priorities have also been identified. As a key stakeholder, Brunel has been consulted with during the development of the RI policy, with thought going into how the priorities and objectives identified in the new policy can be aligned with the current engagement and stewardship activity being carried out by Brunel.

Case study: Climate Alignment policy development

Each year Brunel's CA100+ holdings are assessed against the Alignment Maturity indicators used for the CA100+ benchmark as part of the Climate Alignment policy for the highest emitting companies in the Brunel portfolios. Those that do not meet the threshold of the policy and cannot provide credible evidence of alignment to net zero will be classed as Climate Controversial and given 12 months to improve. If they are found not to have improved sufficiently at the end of the 12 months then they will face further escalation, up to and including the potential for divestment.

Built into the Climate Alignment policy is an approach that would normally see a year-on-year tightening of the criteria to ensure that progress on alignment with the Paris Agreement is ongoing as we move towards 2050. The exact detail of the annual setting of the criteria is discussed at the Responsible Investment sub-Group (RISG), with a recommendation then going via the Client Group to the Brunel Investment Committee.

At the end of 2024 client funds recommended a significantly tighter criteria than in the previous year, including holding Oil & Gas companies to a higher standard than other sectors, due to the level of risk for these companies. This led to a significant proportion of companies assessed in 2025 failing the assessments. Given the large number of companies not meeting the 2025 assessment, when it came time to set the level for the 2026 criteria, the client funds recommended that there be no additional tightening for the coming year, so that there could be a strong focus on engaging with those companies that had failed the assessment in 2025.

Escalation:

The Oxfordshire Pension Fund recognises that, although there is value to be gained from engagement with companies in terms of building relationships to help drive improved performance, engagement cannot be an end in itself. For engagement to be effective it requires there to be milestones and objectives set that should be met in a time limited manner.

It is important for there to be a clear escalation path if progress is not being made quickly enough or is not going far enough. As the Fund's pooled asset manager, Oxfordshire expects Brunel to carry out the majority of any engagements on its behalf, drawing on the support of their engagement and proxy voting advisors, EOS Hermes and LGIM, where appropriate.

Within the Fund's climate change policy, expectations have been set that the companies in the investment portfolio will have developed realistic transition plans to move to alignment with being net zero by 2050 and that progress over time against these plans can be tracked.

The primary source of information on the progress of the highest risk companies is their performance against the CA100+ Net Zero benchmark, with the expectation that it will be possible to see alignment with the benchmark's criteria by 2028 for the highest risk companies.

Companies that have not reached an alignment stage within the required timeframe will enter an enhanced engagement process, with the endpoint being the potential for exclusion if they are not assessed as being on a pathway to alignment. This is very much a last resort and not seen as a desirable outcome. Prior to companies on the list being confirmed for exclusion there will be a qualitative analysis undertaken, including Brunel, client funds, and fund managers as appropriate. The purpose of this analysis is to ensure decisions are made in the best interests of client funds and to consider the fact that any set of criteria cannot fully capture all elements relevant to an investment decision, either in isolation or in terms of portfolio level impacts. The rationale for any decisions taken should be made publicly available as far as possible, taking into account any confidentiality constraints.

Where companies are not meeting all the required criteria but are within the timeframe for exclusion, engagement will be utilised targeting those criteria not yet met, with the expectation that consistent progress towards the criteria will be demonstrated. Engagement will follow the existing escalation process where, if insufficient progress is being made, additional actions will be taken including collaborative engagement with like-minded institutional investors, speaking at the company's AGM, voting against the chair and other board members, filing or co-filing a shareholder resolution, and raising concerns in the public domain.

Included in this policy is a clear escalation approach with set timescales for companies to be assessed as to their alignment. If companies are ultimately assessed as not being in alignment, then an instruction will be given to the underlying asset manager to divest from that company within a set time period.

At the end of 2025 this process resulted in a recommendation for divestment from two companies, with a divestment decision on a third company pending the outcome of its AGM in 2026.

Brunel's investments cover thousands of companies, going well beyond the Climate Action 100+ group. A pragmatic approach to escalation needs to be taken for this wider universe. Brunel operates a clear process of engagement escalation. Through the Brunel Investment Risk Committee (BIRC) and the Brunel Investment Committee (BIC) Brunel can identify escalation cases to its investment managers. Brunel seeks updates on the companies its asset managers are engaging with, what they are engaging on, how they assess the level of risk, and what level of escalation they are undertaking. In parallel Brunel may look at the engagements EOS Hermes or LGIM are undertaking, their engagement targets and escalation.

Brunel may use collaborative engagement and reach out to other investors to elevate areas of concern to companies. Voting is an intrinsic part of the escalation process. Further details are outlined in Brunel's Stewardship Policy with the diagram below demonstrating the process.

Our approach to escalation

Not suitable for new fundraising / refinance

Selective divestment (listed equity)

Climate change stocktake
- Review of whole policy and approach

Reduce exposure

Co-file shareholder resolution (segregated)
- Direct and frequent engagement with company management
- Request pool fund manager support/ voting alignment
- Statement made at AGM (or by fellow co-filer)

Escalated concern due to lack of company management action
- Publicly discuss concerns and or pre-declaration of voting intentions
- Consider AGM attendance/ question
- Index funding voting alignment considered

Specific concerns raised with Asset Manager
- Asset Manager (AM) specific action requested
- Vote against Chair and specific related resolutions (including shareholder resolutions – may increase to all directors in successive years)
- AM may decide to reduce/ exit exposure (active fundamental)

Targeted engagement
- Asset Manager engagement list
- Engagement service provider engagement targets

Thematic engagement
- Raise profile of issue with policy makers and regulators
- Collaborative engagement
- Voting in line with Stewardship Policy

CLIENT ENGAGEMENT

The Fund's main route of engagement escalation, outside of Brunel, is through the Local Authority Pension Fund Forum (LAPFF). A range of factors inform how LAPFF undertakes an engagement, including the company, the sector, and the nature of the issue to be addressed. The primary means by which LAPFF chooses its engagements is driven by aggregate member holdings.

During the AGM season LAPFF sends out regular voting alerts informing members as to how it plans to vote at upcoming company AGMs where there is a vote in support of a shareholder resolution or against management. These alerts are then shared by the Fund with Brunel to help inform their voting intentions.

Principle 2:4 - Exercising rights and responsibilities

Exercising voting rights is one of the fundamental tools that the Fund can use to influence the companies into which it invests. This helps act as a safeguard of the long-term value of its investments. As such the Fund places a high value upon the exercising of these rights and seeks to vote 100% of its holdings via Brunel and their proxy voting manager Hermes EOS for active funds, or LGIM for passive funds.

The Oxfordshire County Council Pension Fund's voting policy is set out in its Investment Strategy Statement which states that in practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Fund's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the members.

The Service agreement between Brunel and the client funds outlines the expectations that the Fund has around voting their shares; "The Manager shall issue proxy voting instructions or vote on a show of hands at a meeting in relation to any Portfolio Fund's units."

Under the pooled nature of its holdings the Fund delegates responsibility for voting and the exercise of its rights and responsibilities as an investor to Brunel Pension Partner and their chosen proxy voting advisor.

Brunel aims to vote 100% of all available votes. To provide guidance to its managers, Brunel has a single voting policy for all assets managed by it in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider.

Brunel has voted at 99.8% of votable company meetings in 2025. Unvoted meetings were due to share blocking, Power of Attorney (POA)'s or operational barriers.

The implementation of Brunel's Voting guidelines is supported by EOS at Federated Hermes. The voting principles guide Hermes' voting recommendation alongside country and region-specific guidelines. Voting decisions are also informed by investment considerations, consultation with portfolio managers, clients, other institutional investors, and engagement with companies. The voting and exercising of rights process, including the approach across asset classes including fixed income and alternatives, is explained in further detail in Brunel's Stewardship Policy.

Both the Voting guidelines and Stewardship policy at Brunel are subject to regular review. The Oxfordshire Fund, alongside the other client funds, are active participants in this process, ensuring that these policies, and how they feed into voting intentions, are representative of the needs and interests of the Fund's members and beneficiaries. At the end of the proxy voting season Hermes presents the key highlights from the season to the Responsible Investment sub-Group. This provides an opportunity for the client funds to challenge Hermes EOS where they feel that its voting policy is not aligned with their priorities and commitments.

A significant proportion of the Oxfordshire Fund’s equity investments are held in a passive portfolio. Under normal circumstances voting is carried out on its behalf by the asset manager for this fund, Legal and General Investment Management (LGIM). However, the implementation of a pass-through voting solution in early 2025 means that Brunel now has the capability to vote directly where its voting policy is at variance with the LGIM policy. This gives the Oxfordshire Fund the opportunity to work with Brunel to identify voting opportunities to support the priorities as laid out in the Fund’s responsible investment policy. For example, by aligning Brunel’s voting with the voting recommendations from LAPFF.

In the case of both EOS Hermes and Legal and General Investment Management quarterly voting reports are shared with the Fund’s officers and reviewed to ensure that voting is in alignment with the Fund’s expectations. Brunel also make their consolidated voting records available to view on their website.

Although the Fund is not in a position to directly vote its own shares held in the Brunel portfolios, or file shareholder resolutions, it can engage with Brunel to influence their activity in these areas. The case study below gives an example of how this influence can be applied to enable the Fund to exercise shareholder rights.

Case study: Shareholder resolutions at Shell

Shell has consistently been one of the top contributors to the Oxfordshire Pension Fund’s carbon footprint, and as with all companies involved in fossil fuels, can attract criticism. It is the company that the Fund has raised the most concerns over with Brunel and there is a strong focus by both Committee and officers on ensuring that the company is being held to account to manage the significant risks that its business model entails.

The following Brunel case study demonstrates how the Fund’s pooling partner has acted on the concerns raised by the Fund. Whilst the Oxfordshire Fund has concerns regarding Shell’s long-term alignment with the Paris Agreement, Brunel will continue to engage with the company for the time-being.

Case Study:
Shell: Momentous win and ripple effects

Shareholder resolution

We reported last year about our engagement activities with Shell and the resolution we co-filed alongside other LGPS investors and ACCR, focused on the misalignment of the company's LNG strategy and climate commitments. As a long-term shareholder, the resolution was centred on additional transparency on how Shell reconciles net zero ambitions with its projected LNG growth which impacts on investors' assessment of the climate and financial resilience of its business.

2025 engagement with…

…the company

We had a series of engagement dialogues with the company both before and after co-filing the shareholder resolution touching on the lack of visibility of the company's climate trajectory over 2030-2050, the role of LNG and the demand drivers instigating optimistic projections and the competitiveness of the LNG portfolio as well as valuation impacts under different energy transition scenarios. All of the investor co-filers also met with the Chair just before the AGM to reassert our concerns – while the constructive dialogue was welcomed, the meeting did not encourage us to withdraw the resolution.

…with managers

Shell continues to be a controversial holding in terms of its climate alignment maturity despite its historic leadership on climate disclosures. We had rich and insightful conversations with our managers that held the stock on our behalf, with deeply technical discussions to unpack their views on risk exposure, understand engagement history and their feasibility and appetite to escalate.

Interestingly, we also learnt that the resolution asks resonated with several other investors prompting robust conversations between the company and their shareholders even where their final vote differed.

Impact

Given the broader weakening of investor support for ESG resolutions following regulatory changes in the US, we were careful not to view the vote outcome as the sole measure of success. Nevertheless, we were pleased that the resolution achieved more than 20% support, an outcome that sent a strong signal.

The strong shareholder support combined with a series of questions over their transition plan at the AGM prompted the company to seriously consider the asks in the resolution and initiate consultation with their shareholders. Shell has committed to publish additional information on their LNG strategy to respond to concerns, which has been welcomed by the shareholders.

We will continue to monitor the upcoming disclosure in the context of our holding and our climate alignment maturity process.

The Fund manages a small portfolio of listed private equity investments separately from Brunel. Oxfordshire exercises its full voting rights for these investments, taking advice from its IFA on voting.

Principle 2:5 - Selection and Oversight of Managers and Service Providers

The Pension Fund Committee is responsible for all aspects of managing the Pension Fund, receiving reports on both investment and scheme administration issues. The terms of reference for the Committee include the wide power to consider all relevant investment and administration issues. Under the pooling structure monitoring of Brunel as the primary asset manager falls under the remit of the Committee, with day-to-day monitoring delegated to the Fund's officers.

Under the LGPS pooling structure our pool partner is ultimately responsible for the management of our investment portfolios. The Brunel Pension Partnership outsources 100% of its assets under management and specialises in portfolio construction and risk management through the selection, appointment, and monitoring of asset managers.

Brunel expects appointed managers to weigh up and clearly demonstrate how Environmental, Social and Governance (ESG) risks and opportunities are embedded into their investment process and how it is part of their wider evaluation of investment risk and return objectives, as opposed to treating it as a stand-alone concern.

Brunel, through its Asset Manager Accord, sets the expectation for tenders to supply asset management services to the Partnership. These expectations have been developed in cooperation with the pooled funds, including Oxfordshire, and will cover the majority of asset manager service providers.

The Service Agreement between Brunel and the Client Fund shareholders outlines how stewardship and ESG factors should be integrated into Brunel's investment approach. The section on voting states that Brunel should be: ”voting proxies in accordance with the Manager's voting policy (as amended from time to time in consultation with the Clients and the Independent Stewardship Provider).”

The Core Services section of the Service Agreement outlines the requirements the Client Funds, including Oxfordshire, place on Brunel around responsible investment:

ESG risk evaluation/ development of tools and use of tools to assess and evidence ESG risk and mitigation success

- The Manager will be responsible for development of tools and use of tools to assess and evidence ESG risk and mitigation success.

RI and ESG impact consideration on investment strategy, including financial risk assessment and non-financial risks

- The Manager will provide RI and ESG impact analyses, and a financial risk assessment for each of the portfolios provided.
- The Manager will provide RI and ESG impact analyses and financial risk assessment to Clients on their combined allocations across portfolios.

RI leadership and industry engagement

- The Manager will provide a service of being a leading voice in RI with industry worldwide.

ESG risk monitoring of global economy and government policies, organisations and fund managers.

- The Manager will undertake ESG risk monitoring of global economy and government policies, organisations and fund managers.
- The Manager will provide briefing material to Clients on potential impacts on their investment strategies.

Impact reporting

- The Manager will require impact reporting from Portfolio Funds for inclusion in reports to Clients.
- The Manager will work with providers to assess the impacts of assets with regard to ESG impacts, e.g. environmental and carbon foot printing, fossil fuel exposure, social impacts, organisational governance, "sin" stocks.
- The Manager will work with both benchmarkers and fund managers to provide reports to Clients to help them understand the risks their assets are exposed to and inform decision making.

Reputational risk management, dealing with the media and member interest in Clients' investments in controversial areas

- The Manager will engage with the media in response to interest in Client investments.
- The Manager will provide factual information and briefings to Clients in order to assist them in responding to these areas.

Responsible stewardship

- The Manager will manage voting requirements in relation to Clients'' assets, based on agreed policies.
- The Manager will liaise with other pools to maximise stewardship opportunities.

Brunel's manager selection process is central to the effective implementation of its Responsible Investment, Stewardship and Climate policies. Managers must be able to clearly demonstrate how ESG is embedded into their investment process. Brunel also examines each manager's organisational culture and approach to teams, challenge, risks, and stewardship. The asset class, geography and risk objectives will have a bearing on which Responsible Investment and ESG risks will be most relevant to focus on when making an appointment.

Through the pooled structure the Fund has delegated primary responsibility to Brunel Pension Partnership for setting expectations for asset managers and following up to see that these expectations are met. The role of the Fund is to monitor and assess Brunel's assurance processes to ensure they are fit for purpose and deliver the desired outcomes.

Brunel's Asset Management Accord was designed to help clarify understanding and shape expectations in the implementation of the investment mandate awarded. The accord captures not only Brunel's expectations of managers, but also the spirit of what they can expect from Brunel. It supports long-term sustainable finance and specifically calls on managers to work collaboratively with Brunel across five main areas. These are; long termism; communication; responsible investment and stewardship; collaboration; and thought leadership and innovation.

Brunel expects companies and fund managers to effectively identify and manage the financially material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business models. Brunel has an expectation that companies should:

- put in place specific policies and actions, both in their own operations and across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 1.5°C above pre-industrial levels.

- disclose climate related risks and actions to mitigate these identified risks in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).

- include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged. As part of its manager selection and ongoing monitoring Brunel use data from the Transition Pathway Initiative (TPI) and carbon footprinting. Both these tools inform portfolio construction and design.

Brunel operates an asset manager monitoring approach that encompasses all facets of management and behaviour, including areas such as realised performance, portfolio construction and risk management, responsible investment, organisation and team, and investment operations.

An in-person Brunel Assurance Group meeting is held quarterly where the client funds are provided with an overview of the performance of the various portfolios, including a review of the most recent BIRC reports and the accompanying RAYG statuses for each manager. These meetings provide an opportunity for the Brunel client funds, including the Oxfordshire Fund to review the functioning of Brunel's assurance processes and, where necessary, to challenge portfolio managers on the effectiveness of responsible investment and stewardship activities carried out on their behalf by Brunel. The chairs of the various Brunel Sub-groups feed into the Assurance Days, including the Responsible Investment Sub-group.

Alongside the Brunel holding reports the Fund is also provided with quarterly reports on the proxy voting activities of both Hermes EOS, who provide engagement and proxy voting services to the Brunel pooled funds for their active portfolios, and Legal and General Investment Management who provide this service for the passive portfolio. As with the holdings reports, these reports are regularly reviewed by officers of the Fund to ensure that the activities carried out on the Fund's behalf by these service providers are aligned with its expectations on how responsible investment and stewardship policies and commitments are carried out by both Brunel and its underlying asset managers.

The Oxfordshire Fund is committed to acting in a transparent way in relation to its investments and related activity. Both the quarterly holdings data for listed equity and bonds and the data on voting activity are published on the Pensions Investments public webpage.

Principle 2:6 Monitoring service providers / supporting delivery

The Pension Fund Committee receive quarterly investment performance reports and regular updates from Brunel Portfolio Managers, which provide an opportunity to ensure their strategies are delivering in line with expectations and to discuss any risks or issues the Committee is concerned about. Officers also have regular meetings with the Independent Financial Adviser and Portfolio Managers through which performance is reviewed and key issues are discussed, including around stewardship and responsible investment.

Brunel's portfolio managers will join the Pension Committee quarterly meeting to provide an update on manager selection and the monitoring process for the Fund's investment portfolios. This may include a discussion on how the performance of a specific manager had been assessed, and also the escalation [process of performance is unsatisfactory, potentially leading to a change of manager. Included in the discussion will be an assessment how the responsible investment approach of the manager in question had been considered as part of any decision.

The Fund receives internal control reports from its portfolio managers and Custodian on an annual basis and these are reviewed by officers to identify any potential causes for concern and ensure issues have been suitably explained or rectified. Brunel also provides a report which identifies the Top 10 companies in the Fund's portfolios which have the greatest climate exposure in term of their absolute emissions and carbon intensity. This report is updated quarterly with the latest state of engagement activity with these high-risk companies. This report is reviewed by officers of the Fund and presented to the Pension Committee, with any concerns then fed back to Brunel.

The minutes and reports from the Brunel Investment Risk Committee (BIRC) are made available for the client funds to review. The officers of the Fund review these after publication to ensure that Brunel is carrying out an appropriate level of assurance over the fund managers it has mandated to provide investment services.

Brunel provide quarterly holdings reports for all equity and fixed income portfolios to the fund. These portfolios are regularly reviewed by Fund officers to identify any companies of concern that may be in the portfolio. Where such a concern is identified this is then escalated back to Brunel, who will either provide a justification for why the company is included, or to pass on concerns to the underlying fund manager so that they can provide a justification.

Each quarter the Brunel Investment Risk Committee (BIRC) reviews a report which applies a Red Amber Yellow Green (RAYG) rating at both fund and individual manager level. Where there is a score of either Amber of Red then a more detailed examination of performance takes place.

If it is decided that expectations are not being met over a period of time by a specific fund manager, Brunel would proceed to retender in line with its standard policies and practices.

In evaluating the Manager and considering whether to place the Manager on Watch or even to terminate the mandate, Brunel will principally consider whether the expectation of long-term outperformance is still intact. Demonstration of original idea generation, examples of detailed research on key issues and topics, thoughtful portfolio construction, application of good price discipline and evidence of successful trading with good cost control will all be viewed positively.

In contrast the following factors are likely to cause concern:

- Persistent failure to adhere to Brunel’s investment principles and the spirit of the Accord.
- A change in investment style, or investments that do not fit into the expected style.
- Lack of understanding of reasons for any underperformance, and/or a reluctance to learn lessons from mistakes. Conversely, complacency after good performance should be avoided.
- Failure to follow the investment restrictions or manage risk appropriately, including consideration of ESG factors
- Organisational instability or the loss of key personnel.

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Case study: Conflict and human rights risk

According to the International Institute for Strategic Studies' annual Armed Conflict Survey for 2025 nearly 240,000 people were killed in conflict over the 12-month period of the survey. The number of active armed conflicts worldwide, and their average duration, remain among the highest in decades. Conflicts in Gaza, Ukraine, Sudan and Myanmar persisted, with the new Israel–Iran war flashpoint emerging.

This prevalence of conflict led to global violent-event fatalities rising 23% over the period. In response to this rise in conflict-related violence the Fund's Committee raised questions with Brunel over the extent to which companies in the Fund's portfolios are exposed to conflict situations, and how they are managing those risks.

As a result of the questions being raised by client funds Brunel carried out work to strengthen its internal capacity to monitor how well managers are identifying and assessing human rights risks. This applies to conflict-affected and high risk areas (CAHRAs) such as the Occupied Palestinian Territories and the Democratic Republic of Congo (DRC) and across companies with high exposure to aerospace, defence and military contracting activities. This included regular reporting back to the Committee on the extent of the Fund's portfolio exposure to conflict.